

AMENDED IN SENATE APRIL 16, 2015

AMENDED IN SENATE APRIL 6, 2015

SENATE BILL

No. 545

Introduced by Senator Jackson

February 26, 2015

An act to amend Sections 3008, 3106, 3203, and 3234 of, to add Section 3215.5 to, to repeal Section 3451 of, and to repeal and add Section 3450 of, the Public Resources Code, relating to oil and gas.

LEGISLATIVE COUNSEL'S DIGEST

SB 545, as amended, Jackson. Oil and gas operations.

(1) Under existing law, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation regulates the drilling, operation, maintenance, and abandonment of oil and gas wells in the state. Existing law requires the State Oil and Gas Supervisor to supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities related to oil and gas production within an oil and gas field, so as to prevent damage to life, health, property, and natural resources, as provided; to permit owners and operators of wells to utilize all known methods and practices to increase the ultimate recovery of hydrocarbons; and to perform the supervisor's duties in a manner that encourages the wise development of oil and gas resources to best meet oil and gas needs in this state.

This bill would no longer require the supervisor to perform his or her duties in that manner. The bill would instead require the supervisor to ~~authorize~~ *supervise* the exploration and production of hydrocarbons, including, among other things, the drilling, operation, maintenance, and abandonment of wells, ~~and the use of enhanced oil recovery methods,~~

as defined, *and stimulation, as provided*, and *would* authorize the supervisor to allow an owner or operator of a well to drill, operate, maintain, and abandon wells utilizing all known methods and practices to increase the ultimate recovery of hydrocarbons if the supervisor finds that those methods and practices are consistent with existing law.

(2) Existing law requires the operator of a well to file a written notice of intention to commence drilling with, and prohibits any drilling until approval is given by, the supervisor or district deputy. Under existing law, the notice is deemed approved if the supervisor or district deputy fails to respond to the notice in writing within 10 working days from receipt and is deemed canceled if operations have not commenced within one year of receipt.

This bill would require an owner or operator of a well to file an application for approval to commence drilling, containing specified information, and would prohibit any drilling until written approval is given by the supervisor or the district deputy containing specified findings. The bill would authorize the supervisor, upon request, to grant a one-year extension if operations have not commenced within one year of the approval. The bill would require the applications and approvals by the supervisor or the district deputy to be posted on the division's Internet Web site within 10 working days.

(3) The Permit Streamlining Act requires any public agency that is the lead agency for a development project to approve or disapprove of a project, as specified. Under that act, if the lead agency or responsible agency is required to provide public notice of the development project or to hold a public hearing on the development project, or both, and the agency has not provided the public notice or held the hearing, or both, at least 60 days prior to the expirations of specified time periods, the applicant may file an action to compel the agency to provide the public notice or hold the hearing, or both, as specified.

This bill would require the supervisor to perform his or her duties in conformance with that act.

(4) Existing law generally provides that well records filed by owners or operators with the supervisor are public records. However, existing law authorizes the supervisor, upon written request of an owner or operator, to maintain well records of exploratory wells, or other wells if the supervisor determines that there are extenuating circumstances, as confidential information. Under existing law, the confidential period for an onshore or offshore well is up to 2 or 5 years, respectively, from the cessation of drilling operations, as defined. Existing law authorizes

the supervisor to extend the period of confidentiality of a well for 6 months upon written request documenting extenuating circumstances and requires that the total period of confidentiality, including all extensions, for onshore and offshore wells not exceed 4 or 7 years, respectively, from the cessation of drilling operations.

This bill would limit the authorization to maintain the confidentiality of well records to exploratory wells and only if the owner or operator includes specified information in the written request. The bill would deem both the request for, and the granting of, confidential well status to be public records and would require that information to be accessible on the division's Internet Web site. The bill would require all well records of a confidential well, as defined, to be posted on the division's Internet Web site within 10 working days once the confidential well period has ended. The bill would require that the confidential period for an offshore well not exceed 3 years from the cessation of drilling operations and would authorize the supervisor to extend the period of confidentiality for confidential wells for only 6 months, upon receiving a written request documenting extenuating circumstances.

(5) Existing law requires an owner or operator of a well to keep a log, core record, and history of the drilling of wells to be provided to the district deputy within 60 days after the date of cessation of drilling, rework, or abandonment operations or the date of suspension of operation. Under existing law, a person who fails to comply with this and other requirements relating to the regulation of oil or gas operations is guilty of a misdemeanor.

This bill would in addition require an owner or operator of a well to report specified information to the applicable regional water quality control board within 5 days of any loss of well and well casing integrity. Because a violation of this requirement would be a crime, the bill would impose a state-mandated local program.

(6) Existing law recognizes the Conservation Committee of California Oil and Gas Producers and authorizes it or any other committee of oil producers to make voluntary recommendations to the supervisor regarding, among other things, maximum efficient rates of production, as defined, if specified conditions are satisfied.

This bill would instead authorize any committee of oil producers to make recommendations to the supervisor regarding oil and gas exploration and production, as specified, and would require the division to post any recommendations received by the supervisor on the division's Internet Web site.

(7) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 3008 of the Public Resources Code is
2 amended to read:

3 3008. (a) "Well" means any oil or gas well or well for the
4 discovery of oil or gas; any well on lands producing or reasonably
5 presumed to contain oil or gas; any well drilled for the purpose of
6 injecting fluids or gas for stimulating oil or gas recovery,
7 repressuring or pressure maintenance of oil or gas reservoirs, or
8 disposing of waste fluids from an oil or gas field; any well used
9 to inject or withdraw gas from an underground storage facility; or
10 any well drilled within or adjacent to an oil or gas pool for the
11 purpose of obtaining water to be used in production stimulation
12 or repressuring operations.

13 (b) "Prospect well" or "exploratory well" means any well drilled
14 to extend a field or explore a new, potentially productive reservoir.

15 (c) "Active observation well" means a well being used for the
16 sole purpose of gathering reservoir data, such as pressure or
17 temperature in a reservoir being currently produced or injected by
18 the operator, and the data is gathered at least once every three
19 years.

20 (d) "Idle well" means any well that has not produced oil or
21 natural gas or has not been used for injection for six consecutive
22 months of continuous operation during the last five or more years.
23 An idle well does not include an active observation well.

24 (e) "Long-term idle well" means any well that has not produced
25 oil or natural gas or has not been used for injection for six
26 consecutive months of continuous operation during the last 10 or
27 more years. A long-term idle well does not include an active
28 observation well.

29 (f) "Enhanced oil recovery method" means the process of
30 obtaining oil, not recovered from an oil reservoir, by utilizing

1 certain extraction processes, including, but not limited to, thermal
2 recovery, gas injection, chemical injection, and water flooding.

3 (g) “Confidential well” means an exploratory well with records
4 that the division maintains as confidential information in
5 accordance with Section 3234.

6 SEC. 2. Section 3106 of the Public Resources Code is amended
7 to read:

8 3106. (a) The supervisor shall ~~authorize~~ *supervise* the
9 exploration and production of hydrocarbons, including, *but not*
10 *limited to*, the drilling, stimulation, the use of enhanced oil recovery
11 methods and well completion techniques, operation, reworking,
12 maintenance, and abandonment of wells and the operation,
13 maintenance, and removal or abandonment of tanks and facilities
14 attendant to oil and gas production, including pipelines not subject
15 to regulation pursuant to Chapter 5.5 (commencing with Section
16 51010) of Part 1 of Division 1 of Title 5 of the Government Code
17 that are within an oil and gas field. ~~These activities shall be~~
18 ~~authorized in a manner~~ *field*, so as to prevent, as far as possible,
19 damage to life, health, property, and natural resources; damage to
20 underground oil and gas deposits from infiltrating water and other
21 causes; loss of oil, gas, or reservoir energy; and damage to
22 underground and surface waters suitable for irrigation or domestic
23 purposes or otherwise uncontaminated waters that could be treated
24 to be suitable for irrigation or domestic purposes.

25 (b) The supervisor may allow an owner or operator of a well to
26 drill, operate, maintain, and abandon wells utilizing all methods
27 and practices known to the oil industry to increase the ultimate
28 recovery of underground hydrocarbons if the supervisor finds that
29 those methods and practices are consistent with this division. To
30 further the elimination of waste by increasing the recovery of
31 underground hydrocarbons, it is hereby declared as a policy of this
32 state that the grant in an oil and gas lease or contract to a lessee or
33 operator of the right or power, in substance, to explore for and
34 remove all hydrocarbons from any lands in the state, in the absence
35 of an express provision to the contrary contained in the lease or
36 contract, is deemed to allow the lessee or contractor, or the lessee’s
37 or contractor’s successors or assigns, to do what a prudent operator
38 using reasonable diligence would do, having in mind the best
39 interests of the lessor, lessee, and the state in producing and
40 removing hydrocarbons, including, but not limited to, the injection

1 of air, gas, water, or other fluids into the productive strata, the
2 application of pressure, heat, or other means for the reduction of
3 viscosity of the hydrocarbons, the supplying of additional motive
4 force, or the creation of enlarged or new channels for the
5 underground movement of hydrocarbons into production wells,
6 when these methods or processes employed have been approved
7 by the supervisor, except that nothing contained in this section
8 imposes a legal duty upon the lessee or contractor, or the lessee's
9 or contractor's successors or assigns, to conduct these operations.

10 (c) The supervisor may require an operator to implement a
11 monitoring program, designed to detect releases to the soil and
12 water, including both groundwater and surface water, for
13 aboveground oil production tanks and facilities.

14 (d) The supervisor shall administer this division in conformance
15 with Chapter 4.5 (commencing with Section 65920) of Division
16 1 of Title 7 of the Government Code.

17 SEC. 3. Section 3203 of the Public Resources Code is amended
18 to read:

19 3203. (a) The operator of any well, before commencing the
20 work of drilling the well, shall file with the supervisor or the district
21 deputy a written application for approval to commence drilling.
22 The application shall detail all the methods and practices expected
23 to be used for the well, including, but not limited to, well
24 stimulation treatments and enhanced oil recovery methods. The
25 application shall also demonstrate that the drilling and any method
26 utilized will pose de minimis risk to public health and safety.
27 Drilling shall not commence until written approval is given by the
28 supervisor or the district deputy, finding that the project is
29 consistent with Section 3106. If operations have not commenced
30 within one year of approval of the application, the approval shall
31 be deemed canceled, unless the applicant makes a written request
32 for an extension with a reason for the extension. The supervisor
33 may grant a one-year extension of the approval in writing. The
34 application shall contain the pertinent data the supervisor requires
35 on printed forms supplied by the division or on other forms
36 acceptable to the supervisor. The supervisor may require other
37 pertinent information to supplement the application.

38 (b) After the completion of any well, this section also applies,
39 as far as may be, to the deepening or redrilling of the well, any
40 operation involving the plugging of the well, or any operations

1 permanently altering in any manner the casing of the well. The
2 number or designation of any well, and the number or designation
3 specified for any well in an application filed as required by this
4 section, shall not be changed without first obtaining a written
5 approval of the supervisor.

6 (c) If an operator has failed to comply with an order of the
7 supervisor, the supervisor may deny approval of proposed well
8 operations until the operator brings its existing well operations
9 into compliance with the order. If an operator has failed to pay a
10 civil penalty, remedy a violation that it is required to remedy to
11 the satisfaction of the supervisor pursuant to an order issued under
12 Section 3236.5, or to pay any charges assessed under Article 7
13 (commencing with Section 3400), the supervisor may deny
14 approval to the operator's proposed well operations until the
15 operator pays the civil penalty, remedies the violation to the
16 satisfaction of the supervisor, or pays the charges assessed under
17 Article 7 (commencing with Section 3400).

18 (d) The applications and written approvals by the supervisor or
19 the district deputy shall be posted on the division's Internet Web
20 site.

21 SEC. 4. Section 3215.5 is added to the Public Resources Code,
22 to read:

23 3215.5. For any well, regardless of the operation or activity
24 taking place, if there is any loss of well and well casing integrity,
25 that loss and any resultant action or remedial work shall be reported
26 by the operator to the applicable regional water quality control
27 board within five days of the event.

28 SEC. 5. Section 3234 of the Public Resources Code is amended
29 to read:

30 3234. (a) (1) Except as otherwise provided in this section, all
31 of the well records, including production reports, of any owner or
32 operator that are filed pursuant to this chapter are public records
33 for purposes of the California Public Records Act (Chapter 3.5
34 (commencing with Section 6250) of Division 7 of Title 1 of the
35 Government Code).

36 (2) Those records are public records when filed with the division
37 unless the owner or operator requests, in writing, that the division
38 maintain the well records of onshore exploratory wells or offshore
39 exploratory wells as confidential information. The owner or
40 operator shall give a detailed explanation and rationale for keeping

1 the records of the exploratory well confidential and the supervisor
2 shall respond in writing as to whether the confidential well status
3 has been granted. Both the request for, and the granting of,
4 confidential well status are public records, and shall be made
5 accessible on the division's Internet Web site. For onshore wells,
6 the confidential period shall not exceed two years from the
7 cessation of drilling operations as defined in subdivision (e). For
8 offshore wells, the confidential period shall not exceed three years
9 from the cessation of drilling operations as specified in subdivision
10 (e).

11 (3) Well records maintained as confidential information by the
12 division shall be open to inspection by those persons who are
13 authorized by the owner or operator in writing. Confidential status
14 shall not apply to state officers charged with regulating well
15 operations, the director, or as provided in subdivision (c).

16 (4) On receipt by the supervisor of a written request
17 documenting extenuating circumstances relating to a particular
18 well, including a well on an expired or terminated lease, the
19 supervisor may extend the period of confidentiality, as set forth
20 in paragraph (2), for no more than six months.

21 (5) Once the confidential well period has ended, all well records
22 shall be posted on the division's Internet Web site within 10
23 working days.

24 (b) Notwithstanding the provisions of subdivision (a) regarding
25 the period of confidentiality, the well records for onshore and
26 offshore wells shall become public records when the supervisor
27 is notified that the lease has expired or terminated.

28 (c) Production reports filed pursuant to Section 3227 shall be
29 open to inspection by the State Board of Equalization or its duly
30 appointed representatives when making a survey pursuant to
31 Section 1815 of the Revenue and Taxation Code or when valuing
32 state-assessed property pursuant to Section 755 of the Revenue
33 and Taxation Code, and by the assessor of the county in which a
34 well referred to in Section 3227 is located.

35 (d) For the purposes of this section, "well records" does not
36 include either experimental logs and tests or interpretive data not
37 generally available to all operators, as defined by the supervisor
38 by regulation.

39 (e) The cessation of drilling operations occurs on the date of
40 removal of drilling machinery from the well site.

1 SEC. 6. Section 3450 of the Public Resources Code is repealed.

2 SEC. 7. Section 3450 is added to the Public Resources Code,
3 to read:

4 3450. (a) The Conservation Committee of California Oil and
5 Gas Producers or any other committee of oil producers may issue
6 recommendations to the supervisor relating to oil and gas
7 exploration and production, if both of the following are satisfied:

8 (1) Copies of those recommendations are delivered to the
9 supervisor.

10 (2) A committee issuing the recommendations makes available
11 to the supervisor its records, files, minutes, reports, and other data
12 pertaining to those recommendations.

13 (b) The division shall post any recommendation received by the
14 supervisor pursuant to subdivision (a) on the division's Internet
15 Web site.

16 (c) (1) The supervisor, in his or her discretion, may express his
17 or her disapproval of any recommendation received pursuant to
18 subdivision (a).

19 (2) The supervisor, in the absence of a recommendation by a
20 committee of oil producers or if the supervisor deems a
21 recommendation to be insufficient or incorrect, may issue
22 recommendations relating to oil and gas exploration and
23 production.

24 (3) Oil producers may comply or agree to comply with the
25 supervisor's recommendation, but neither a disapproval by the
26 supervisor nor a recommendation by him or her shall constitute a
27 basis for implying an obligation for oil producers to comply with
28 that disapproval or recommendation.

29 (d) Nothing in this section shall authorize the production of oil
30 or gas in violation of this division.

31 SEC. 8. Section 3451 of the Public Resources Code is repealed.

32 SEC. 9. No reimbursement is required by this act pursuant to
33 Section 6 of Article XIII B of the California Constitution because
34 the only costs that may be incurred by a local agency or school
35 district will be incurred because this act creates a new crime or
36 infraction, eliminates a crime or infraction, or changes the penalty
37 for a crime or infraction, within the meaning of Section 17556 of
38 the Government Code, or changes the definition of a crime within

- 1 the meaning of Section 6 of Article XIII B of the California
- 2 Constitution.

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